A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012

A1. Basis of accounting and changes in accounting policies

a) Basis of accounting

The interim financial statements of Xingquan International Sports Holdings Limited (the "Company") for the fourth quarter ended 30 June 2012 are unaudited and have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements.

The Group has adopted IAS 1(Revised) and IFRS 8 for the year ended 30 June 2011 and provides comparative information that conforms to the requirements of the revised standard. The key impact of the application of the revised standard is the presentation of an additional primary statement, that is, the statement of comprehensive income.

The requirements of IAS 1 (Revised) and IFRS 8 are as follows:

1. changes in equity arising from transactions with owners in their capacity as owners to be presented separately from components of comprehensive income;

2. components of comprehensive income to be excluded from statement of changes in equity;

3. items of income and expenses and components of other comprehensive income to be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate statement of profit and loss followed by a statement of comprehensive income);

4. presentation of restated balance sheet as at the beginning of the comparative period when entities make restatements or reclassifications of comparative information;

5. segment information is presented on the same basis as that used for internal reporting process and;

6. segment revenue, segment profit and segment assets are also measured on a basis that is consistent with internal reporting.

The revisions also include changes in the titles of some of the financial statements primary statements.

b) Changes in accounting policies

There are no changes in accounting policies for the quarter ended 30 June 2012.

c) Basis of consolidation

The consolidated financial statements of the Group have been prepared using the historical cost method similar to the “pooling-of-interest” as acquisition of subsidiary is accounted for as reconstructions of businesses. Under the historical cost method, the acquired assets and liabilities are recorded at their existing carrying amounts.

The consolidated financial statements include the results of operations, and the assets and liabilities of the pooled enterprises as part of the Group for the whole of the current period.

Other than accounting of subsidiaries using the historical cost method as disclosed above, the results of the subsidiaries acquired during the financial year are included in the consolidated statement of comprehensive income from the effective date in which control is transferred to the Group.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Acquisitions of subsidiaries, if any, are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Where accounting policies of a subsidiary do not conform with those of the Company, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only. The results of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated statement of comprehensive income from the effective date in which control is transferred to the Group.

d) Functional currency and translation to presentation currency

(i) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in Renminbi.

(ii) Transactions and balances

Foreign currency transactions are measured and recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rates ruling at the respective statement of financial position dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Group companies

The results and financial positions of the Group entities that have functional currencies different from the presentation currency are translated into the presentation currency as follows:

(1) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial position;

(2) Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) All resulting exchange differences are recognised as a separate component of equity.

A2. Audit report of the Group's preceding annual financial statements

The Group's audited consolidated financial statements for the financial year ended 30 June 2011 were not subject to any audit qualification.

A3. Seasonal or cyclical factors

There are no seasonal or cyclical factors which materially affect the Group during the quarter under review.

A4. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter and financial year-to-date.

A5. Material changes in estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect on the results of the current quarter under review.

A6. Changes in share capital and debts

There were no issuance, cancellations, repurchase, resale and repayment of debt and equity securities, share buy backs, share cancellation, shares held as treasury share and resale of treasury shares for the current financial year to date.

A7. Subsequent material events

There are no other material events as at the date of this announcement that will affect the results in the financial year under review.

A8. Segment information

a) Operating segments

	12 months ended 30 June 2012				
	Shoe soles	Casual Footwear	Apparels and Accessories	Eliminated	Total
	RMB 000	RMB 000	RMB 000	RMB 000	RMB 000
External revenue	406,721	619,559	662,356	-	1,688,636
Inter-segment revenue	84,703	-	-	(84,703)	-
	491,424	619,559	662,356	(84,703)	1,688,636
Results					
Segment results	120,241	220,484	190,369	-	531,094
Other income					6,111
Selling and distribution expenses					(173,423)
Administrative expenses					(44,749)
Finance costs					(2,358)
Profit before taxation					316,675
Income tax expenses					(69,475)
Profit after taxation					247,200
Other information					
Segment assets	139,433	226,843	239,813	(6,775)	599,314
Unallocated assets					
- Land use rights					13,555
- Other receivables					127,843
- Cash and bank					618,169
Total assets					1,358,881
Segment liabilities	21,133	13,679	7,381	(6,775)	35,418
Unallocated liabilities					
- Borrowing					30,000
- Other payables					59,204
- Current tax payable					14,775
- Deferred tax liability					6,550
Total liabilities					145,947
Capital expenditure	16,926	1,004	976		18,906
Depreciation of property, plant and equipment	10,774	6,559	7,012		24,345
Amortisation of land use					283

a) <u>Operating segments *(con't)*</u>

	12 months ended 30 June 2011				
		Casual	Apparels and		
	Shoe soles	footwear	Accessories	Eliminated	Total
	RMB 000	RMB 000	RMB 000	RMB 000	RMB 000
External revenue	304,814	636,558	555,341		1,496,713
Inter-segment revenue	75,879			(75,879)	
	380,693	636,558	555,341	(75,879)	1,496,713
Results					
Segment results	119,962	194,481	150,892	(50)	465,285
Other income					1,735
Selling and distribution expenses					(106,325)
Administrative expenses					(45,347)
Finance costs					(3,939)
Profit before taxation					311,409
Income tax expenses					(59,400)
Profit after taxation					252,009
Other information					
Segment assets	142,233	227,875	198,799	(11,848)	557,059
Unallocated assets					
- Land use rights					13,838
- Other receivables					131,974
- Cash and bank					459,338
Total assets					1,162,209
Segment liabilities	21,889	23,608	20,596	(11,267)	54,826
Unallocated liabilities					
- Borrowing					58,000
- Other payables					60,177
- Current tax payable					16,979
- Deferred tax liability					3,550
Total liabilities					193,532
Capital expenditure	15,650	66,146	57,708		139,504
Depreciation of property, plant and equipment	10,377	3,497	3,050		16,924
Amortisation of land use rights					283

b) Geographical segments

As the business of the Group is engaged entirely in the People's Republic of China, no reporting by geographical location of operation is presented.

A10. Property, plant and equipment

The valuations of property, plant and equipment have been brought forward without amendment from the Company's audited consolidated financial statements for the year ended 30 June 2011.

A11. Corporate proposals

There were no corporate proposals announced but not completed as at the date of this report.

A12. Contingent liabilities

There were no material changes in the contingent liabilities or contingent assets since the last financial year ended 30 June 2011.

A13. Capital commitments

	RMB 000
Authorised capital expenditure not provided for in the financial statements as at 30 June 2012 are as follows:	
- contracted	37,800

A14. Changes in the composition of the Group

There are no other changes in the composition of the Group during the financial year-to-date.

A15. Reserves

Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiaries of the Company established in the PRC are required to transfer 10% of its profit after taxation prepared in accordance with the accounting regulation of the PRC to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. Such reserve may be used to offset accumulated losses or increase the registered capital of these subsidiaries, subject to the approval from the PRC authorities, and are not available for dividend distribution to the shareholders.

Merger reserve

The merger reserve arises from the difference between the nominal value of shares issued by the Company and the net tangible assets of subsidiaries acquired under the pooling interest method of accounting.

Currency translation reserve

Currency translation reserve represents translation differences arising from translation of foreign currency financial statements into presentation currency of the Group.

A16. Related party transactions

There are no related party transactions during the current quarter.

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1. Review of performance

a) Financial Year-to-date vs. Previous Financial Year-to-date

The Group achieved a revenue and PBT of RMB1,688.6 million and RMB316.7 million respectively for the 12 months financial year ended 30 June 2012 ("FYE 2012"). The revenue of RMB1,688.6 million represents an increase of 12.8% as compared to the revenue of RMB1,496.7 million recorded for the 12 months financial year ended 30 June 2011 ("FYE2011").

The increase in revenue is contributed by the following:

(i) Increase in sales volume of shoe sole and apparel from approximately 16.8 million pairs and 5.8 million pieces respectively in FYE2011 to approximately 22.7 million pairs and 6.5 million pieces respectively in FYE2012.

(ii) Increase in average selling price of shoe from RMB106.2 per pair in FYE2011 to RMB111.0 per pair in FYE2012, and increase in average selling price of apparels from RMB90.3 per piece in FYE2011 to RMB96.3 per piece in FPE2012. The substantial increase in the selling price of apparels is due to the successful brand upgrade to GERTOP which is in the outdoor casual wear segment compared to the previous outdoor sports wear. Outdoor casual wear in general tends to have higher selling prices compared to outdoor sports wear.

The PBT of RMB316.7 million for FYE2012 represents an increase of 1.7% as compared to the PBT of RMB311.4 million recorded for FYE2011. The increase in PBT was mainly due to the increase in revenue as mentioned above.

The increase in selling and distribution expenses from RMB106.3 million in FYE2011 to RMB173.4 million in FYE2012 is mainly due to higher expenses in relation to renovation subsidies for the sales outlets amounting to RMB54.8 million, display shelf for the sales outlets amounting to RMB50.9 million and expansion of sales network expenses amounting to RMB67.7 million.

The profit after taxation ("PAT") of RMB247.2 million for FYE2012 represents a decrease of 2.0% as compared to PAT of RMB252.0 million recorded for FYE2011 due to higher provision for tax.

The effective tax rate increases from 19.0% in FYE2011 to 21.9% in FYE2012.

Based on the Income Tax Law of the PRC for Enterprises with Foreign Investments and Foreign Enterprises, Addnice Sports, Addnice China and Xingquan Plastic are entitled to full exemption from income tax for the first two years and a 50% reduction in income tax for the next three years starting from their first profitable year of operation. Addnice China is exempted from the state corporate income tax for its first two profitable calendar years of operation (i.e. from 1 January 2008 to 31 December 2009) and thereafter, is entitled to a 50% relief from the state corporate income tax for the third to fifth consecutive years (i.e. from 1 January 2010 to 31 December 2012). Addnice Sports and Xingquan Plastic had fully utilised their tax incentives and are subject to the full state corporate income tax.

Performance of the respective operating business segments for FYE2012 as compared to FYE2011 is analysed as follows:

Shoe sole – The increase in revenue from RMB304.8 million in FYE2011 to RMB406.7 million in FPE2012 was mainly due to increase in sales volume from 16.8 million pairs in FYE2011 to 22.7 million pairs in FYE2012.

Shoe – The decrease in revenue from RMB636.6 million in FYE2011 to RMB619.6 million in FYE2012 was mainly due to decrease in sales volume from 6.0 million pairs in FYE2011 to 5.6 million pairs in FYE2012.

Apparel - The increase in revenue from RMB555.3 million in FYE2011 to RMB662.4 million in FYE2012 was mainly due to increase in sales volume and average selling price from 5.8 million pieces and RMB90.4 per piece in FPE2011 to 6.5 million pieces and RMB96.3 per piece respectively in FYE2012.

b) Current Quarter vs. Previous Year Corresponding Quarter

The Group achieved a revenue and profit before taxation ("PBT") of RMB375.7 million and RMB53.0 million respectively for the current quarter ("Q4FY2012"), representing a decrease of 4.2% and 42.8% respectively as compared to the corresponding period in the preceding year.

The decrease in revenue is mainly due to decrease in sales volume of shoe from approximately 1.4 million pairs in Q4FY2011 to approximately 1.1 million pairs in Q4FY2012.

The PBT of RMB53.0 million for Q4FY2012 represents a decrease of 42.8% as compared to the PBT of RMB92.7 million recorded for Q4FY2011. The decrease in PBT was mainly due to the decrease in revenue as mentioned above and increase in selling and distribution expenses.

Performance of the respective operating business segments for Q4FY2012 as compared to Q4FY2011 is analysed as follows:

Shoe sole – The increase in revenue was mainly due to increase in sales volume.

Shoe – The decrease in revenue was mainly due to decrease in sales volume from approximately 1.4 million pairs in Q4FY2011 to approximately 1.1 million pairs in Q4FY2012.

Apparel – The increase in revenue was mainly due to increase in sales volume.

B2. Variation of results against immediate preceding quarter

	Current quarter 30 June 2012 RMB 000	Preceding quarter 31 March 2012 RMB 000
Revenue	375,718	445,821
Profit before taxation	53,033	97,698

The Group recorded revenue of RMB375.7 million for Q4FY2012, representing a decrease of 15.7% as compared to the revenue of RMB445.8 million recorded for the quarter ended 31 March 2011 ("Q3FY2012"). The decrease in revenue was due to a decrease in the sales of shoes.

The profit before taxation of RMB53.0 million for Q4FY2012 represents a decrease of 45.7% as compared to the profit before taxation of RMB97.7 million recorded for Q3FY2012. This was mainly due to decrease in the sales of shoes and higher selling and distribution expenses.

B3. Prospects for FYE 2012

Based on market research conducted by Converging Knowledge Pte Ltd, the outdoor casual wear market is estimated to be worth RMB27 billion in 2010. Generally, growth rates for the northern region in China tend to be higher as Chinese consumers in the said region have a preference for a more “rugged” outlook, which outdoor casual wear can offer. On the average, the outdoor casual wear market is expected to see growth of 30% annually for 2011-2012, thereafter slowing down to 20% in the third year (2013). On this basis, the market is expected to reach in approximately RMB55 billion by 2013.

Nevertheless, we are aware that the global economic uncertainties may impact the spending pattern of the Chinese consumers which may then impact our business. As such, we will continue to be wary of the changes in the economic conditions. In view of the above, our Board of Directors believes that the Group’s prospects for the financial year ending 30 June 2013 should remain positive.

B4. Profit forecast and profit guarantee

The Group has not provided any profit forecast or profit guarantee in any public document for the current financial quarter.

B5. Profit before taxation

The Group’s profit before taxation is arrived at after charging/(crediting):

	Current year quarter RMB 000	Current year to date RMB 000
Depreciation of property, plant and equipment	6,228	24,345
Amortisation of land use rights	71	283
Write off of property, plant and equipment	-	1,517
Interest expenses	503	2,358
Interest income	674	(2,380)

Save for the above items, there are no other items required to be disclosed according to Note 16 of Appendix 9B on Quarterly Report issued by Bursa Malaysia.

B6. Taxation

Taxation comprises the following:

	Current Quarter	Current year to date
	RMB 000	**RMB 000**
Deferred tax expenses	3,000	3,000
PRC income tax	14,701	66,475
	17,701	69,475

The effective income tax rates of the Group for the current quarter and current year to date were 33.4% and 21.9% respectively as compared to the applicable tax rate of 25%. The higher effective tax rate for the current quarter was due to higher provision for deferred tax. The lower effective tax rate for the current year was due to higher profit contribution by Addnice China that is currently entitled to a 50% relief from the state corporate income tax. Please see Note B1 for details.

B7. Group borrowings

The Group's borrowings as at 30 June 2012 were as follows:

	Total RMB 000
Short term bank loans – secured	30,000

B8. Changes in material litigation

As at the date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group and the Board is not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.

B9. Dividend

The Board of Directors proposed a tax exempt final dividend of 2.0 sen per share in respect of the financial year ended 30 June 2012 which is subject to shareholders' approval at the forthcoming Annual General Meeting. The entitlement date and payment date for the proposed tax exempt final dividend will be announced at a later date.

B10. Earnings per share

a) Basic

Basic earnings per share is calculated by dividing profits for the period attributable to equity holders of the Company before other comprehensive income by weighted average number of ordinary shares in issue during the period:-

	Individual Quarter Ended		Individual Quarter Ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
	RMB	RMB	RM	RM
Net profit attributable to equity holders of the Company	34,332,000	88,132,000	17,162,000	44,058,000

Weighted average number of ordinary shares in issue	307,330,000	307,330,000	307,330,000	307,330,000
Basic earnings per share	0.11	0.29	0.06	0.14

	Cumulative Quarter 12 Months Ended		Cumulative Quarter 12 Months Ended	
	30.6.2012 RMB	30.6.2011 RMB	30.6.2012 RM	30.6.2011 RM
Profit attributable to equity holders of the Company before other comprehensive income	244,257,000	252,288,000	122,104,000	126,118,000
Weighted average number of ordinary shares in issue	307,330,000	307,330,000	307,330,000	307,330,000
Basic earnings per share	0.79	0.82	0.40	0.41

b) Diluted

There is no diluted earnings per share as there were no potential dilutive ordinary shares outstanding as at end of the current and preceding quarter under review.

B11. Realised and unrealised profits

	Cumulative Quarter 12 Months Ended		Cumulative Quarter 12 Months Ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
	RMB 000	RMB 000	RM 000	RM 000
Total Retained Profit/(Loss)				
Realised	784,237	548,985	392,040	274,438
Unrealised	(5,380)	(6,709)	(2,689)	(3,354)
	778,857	542,276	389,351	271,084

By Order of the Board

Kang Shew Meng
Seow Fei San
Secretaries

27 August 2012